



February 20, 2009

## HOUSE BILL No. 1530

DIGEST OF HB 1530 (Updated February 17, 2009 12:53 pm - DI 87)

**Citations Affected:** IC 8-1.5; IC 36-7; IC 36-9.

**Synopsis:** Funding of local government projects. Amends the provisions authorizing political subdivisions to borrow the money necessary to finance a public work project from a financial institution to allow political subdivisions to also borrow to finance an eligible efficiency project that costs not more than \$3,000,000. Defines "eligible efficiency project" as a project that is necessary or useful to: (1) carrying out an interlocal cooperation agreement entered into by two or more political subdivisions or governmental entities; or (2) the consolidation of local government services. Authorizes a municipality to borrow money from a municipally owned utility to carry out an eligible efficiency project within the municipality. Provides that property tax proceeds allocated under tax increment financing (TIF) may be used to carry out an eligible efficiency project only if those property tax proceeds are in excess of the amount necessary to make certain other payments (including payments of principal and interest on bonds and other obligations, payments of premiums on the redemption before maturity of bonds, and payments on leases).

**Effective:** July 1, 2009.

**Candelaria Reardon**

January 16, 2009, read first time and referred to Committee on Government and Regulatory Reform.  
February 19, 2009, amended, reported — Do Pass.

HB 1530—LS 7026/DI 73+



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February 20, 2009

First Regular Session 116th General Assembly (2009)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2008 Regular Session of the General Assembly.

## HOUSE BILL No. 1530

A BILL FOR AN ACT to amend the Indiana Code concerning local government.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 8-1.5-3-12 IS AMENDED TO READ AS  
2 FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 12. (a) A municipality  
3 may, by ordinance of its legislative body, borrow money from a utility  
4 owned by the municipality for **any of the following purposes:**

5 (1) Current purposes in anticipation of taxes levied and to be  
6 collected during the current or following year.

7 (2) **Carrying out an eligible efficiency project (as defined in**  
8 **IC 36-9-41-1.5) within the municipality.**

9 (b) The board may by resolution lend money to the municipality if  
10 the utility has on hand:

11 (1) a surplus of cash exceeding by at least the amount loaned the  
12 sum of all amounts required to pay the indebtedness of the utility  
13 falling due during the current calendar year and the following  
14 year;

15 (2) the amount necessary to meet current expenses during the  
16 year; and

17 (3) the amount necessary to pay for improvements contemplated

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to be made during the current calendar year minus the estimated receipts during the calendar year.

(c) A loan **made under subsection (a)(1)** may not be made for a sum in excess of fifty percent (50%) of the amount estimated to be collected from anticipated taxes. ~~The~~

**(d) A loan under this section:**

- (1) must be evidenced by an obligation of the municipality;
- (2) must be signed by the executive;
- (3) is due:

**(A)** on or before thirty (30) days after the last day for the payment of anticipated taxes, **in the case of a loan made under subsection (a)(1); and**

**(B) on a date determined by the board (but not more than six (6) years after the date of the loan), in the case of a loan made under subsection (a)(2); and**

- (4) may bear interest at any rate as determined by the board, payable at maturity.

SECTION 2. IC 36-7-14-39, AS AMENDED BY P.L.146-2008, SECTION 738, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 39. (a) As used in this section:

"Allocation area" means that part of a redevelopment project area to which an allocation provision of a declaratory resolution adopted under section 15 of this chapter refers for purposes of distribution and allocation of property taxes.

"Base assessed value" means the following:

- (1) If an allocation provision is adopted after June 30, 1995, in a declaratory resolution or an amendment to a declaratory resolution establishing an economic development area:

**(A)** the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision of the declaratory resolution, as adjusted under subsection (h); plus

**(B)** to the extent that it is not included in clause (A), the net assessed value of property that is assessed as residential property under the rules of the department of local government finance, as finally determined for any assessment date after the effective date of the allocation provision.

- (2) If an allocation provision is adopted after June 30, 1997, in a declaratory resolution or an amendment to a declaratory resolution establishing a redevelopment project area:

**(A)** the net assessed value of all the property as finally determined for the assessment date immediately preceding the

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effective date of the allocation provision of the declaratory resolution, as adjusted under subsection (h); plus  
 (B) to the extent that it is not included in clause (A), the net assessed value of property that is assessed as residential property under the rules of the department of local government finance, as finally determined for any assessment date after the effective date of the allocation provision.

(3) If:

(A) an allocation provision adopted before June 30, 1995, in a declaratory resolution or an amendment to a declaratory resolution establishing a redevelopment project area expires after June 30, 1997; and

(B) after June 30, 1997, a new allocation provision is included in an amendment to the declaratory resolution;

the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision adopted after June 30, 1997, as adjusted under subsection (h).

(4) Except as provided in subdivision (5), for all other allocation areas, the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision of the declaratory resolution, as adjusted under subsection (h).

(5) If an allocation area established in an economic development area before July 1, 1995, is expanded after June 30, 1995, the definition in subdivision (1) applies to the expanded part of the area added after June 30, 1995.

(6) If an allocation area established in a redevelopment project area before July 1, 1997, is expanded after June 30, 1997, the definition in subdivision (2) applies to the expanded part of the area added after June 30, 1997.

Except as provided in section 39.3 of this chapter, "property taxes" means taxes imposed under IC 6-1.1 on real property. However, upon approval by a resolution of the redevelopment commission adopted before June 1, 1987, "property taxes" also includes taxes imposed under IC 6-1.1 on depreciable personal property. If a redevelopment commission adopted before June 1, 1987, a resolution to include within the definition of property taxes taxes imposed under IC 6-1.1 on depreciable personal property that has a useful life in excess of eight (8) years, the commission may by resolution determine the percentage of taxes imposed under IC 6-1.1 on all depreciable personal property that will be included within the definition of property taxes. However,

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the percentage included must not exceed twenty-five percent (25%) of the taxes imposed under IC 6-1.1 on all depreciable personal property.

(b) A declaratory resolution adopted under section 15 of this chapter on or before the allocation deadline determined under subsection (i) may include a provision with respect to the allocation and distribution of property taxes for the purposes and in the manner provided in this section. A declaratory resolution previously adopted may include an allocation provision by the amendment of that declaratory resolution on or before the allocation deadline determined under subsection (i) in accordance with the procedures required for its original adoption. A declaratory resolution or an amendment that establishes an allocation provision after June 30, 1995, must specify an expiration date for the allocation provision. For an allocation area established before July 1, 2008, the expiration date may not be more than thirty (30) years after the date on which the allocation provision is established. For an allocation area established after June 30, 2008, the expiration date may not be more than twenty-five (25) years after the date on which the allocation provision is established. However, with respect to bonds or other obligations that were issued before July 1, 2008, if any of the bonds or other obligations that were scheduled when issued to mature before the specified expiration date and that are payable only from allocated tax proceeds with respect to the allocation area remain outstanding as of the expiration date, the allocation provision does not expire until all of the bonds or other obligations are no longer outstanding. The allocation provision may apply to all or part of the redevelopment project area. The allocation provision must require that any property taxes subsequently levied by or for the benefit of any public body entitled to a distribution of property taxes on taxable property in the allocation area be allocated and distributed as follows:

(1) Except as otherwise provided in this section, the proceeds of the taxes attributable to the lesser of:

(A) the assessed value of the property for the assessment date with respect to which the allocation and distribution is made; or

(B) the base assessed value;

shall be allocated to and, when collected, paid into the funds of the respective taxing units.

(2) Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the

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following:

(A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.

(B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.

(C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter.

(D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements that are physically located in or physically connected to that allocation area.

(E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.

(F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter.

(G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) that are physically located in or physically connected to that allocation area.

(H) Reimburse the unit for rentals paid by it for a building or parking facility that is physically located in or physically connected to that allocation area under any lease entered into under IC 36-1-10.

(I) For property taxes first due and payable before January 1, 2009, pay all or a part of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in IC 6-1.1-1-20) that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(i) that part of each county's eligible property tax

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1 replacement amount (as defined in IC 6-1.1-21-2) for that  
 2 year as determined under IC 6-1.1-21-4 that is attributable  
 3 to the taxing district; by

4 (ii) the STEP ONE sum.

5 STEP THREE: Multiply:

6 (i) the STEP TWO quotient; times

7 (ii) the total amount of the taxpayer's taxes (as defined in  
 8 IC 6-1.1-21-2) levied in the taxing district that have been  
 9 allocated during that year to an allocation fund under this  
 10 section.

11 If not all the taxpayers in an allocation area receive the credit  
 12 in full, each taxpayer in the allocation area is entitled to  
 13 receive the same proportion of the credit. A taxpayer may not  
 14 receive a credit under this section and a credit under section  
 15 39.5 of this chapter (before its repeal) in the same year.

16 (J) Pay expenses incurred by the redevelopment commission  
 17 for local public improvements that are in the allocation area or  
 18 serving the allocation area. Public improvements include  
 19 buildings, parking facilities, and other items described in  
 20 section 25.1(a) of this chapter.

21 (K) Reimburse public and private entities for expenses  
 22 incurred in training employees of industrial facilities that are  
 23 located:

24 (i) in the allocation area; and

25 (ii) on a parcel of real property that has been classified as  
 26 industrial property under the rules of the department of local  
 27 government finance.

28 However, the total amount of money spent for this purpose in  
 29 any year may not exceed the total amount of money in the  
 30 allocation fund that is attributable to property taxes paid by the  
 31 industrial facilities described in this clause. The  
 32 reimbursements under this clause must be made within three  
 33 (3) years after the date on which the investments that are the  
 34 basis for the increment financing are made.

35 **(L) Pay the costs of carrying out an eligible efficiency**  
 36 **project (as defined in IC 36-9-41-1.5) within the unit that**  
 37 **established the redevelopment commission. However,**  
 38 **property tax proceeds may be used under this clause to pay**  
 39 **the costs of carrying out an eligible efficiency project only**  
 40 **if those property tax proceeds exceed the amount necessary**  
 41 **to do the following:**

42 **(i) Make, when due, any payments required under clauses (A)**

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through (K), including any payments of principal and interest on bonds and other obligations payable under this subdivision, any payments of premiums under this subdivision on the redemption before maturity of bonds, and any payments on leases payable under this subdivision.

(ii) Make any reimbursements required under this subdivision.

(iii) Pay any expenses required under this subdivision.

(iv) Establish, augment, or restore any debt service reserve under this subdivision.

The allocation fund may not be used for operating expenses of the commission.

(3) Except as provided in subsection (g), before July 15 of each year the commission shall do the following:

(A) Determine the amount, if any, by which the assessed value of the taxable property in the allocation area for the most recent assessment date minus the base assessed value, when multiplied by the estimated tax rate of the allocation area, will exceed the amount of assessed value needed to produce the property taxes necessary to make, when due, principal and interest payments on bonds described in subdivision (2) plus the amount necessary for other purposes described in subdivision (2).

(B) Provide a written notice to the county auditor, the fiscal body of the county or municipality that established the department of redevelopment, and the officers who are authorized to fix budgets, tax rates, and tax levies under IC 6-1.1-17-5 for each of the other taxing units that is wholly or partly located within the allocation area. The notice must:

(i) state the amount, if any, of excess assessed value that the commission has determined may be allocated to the respective taxing units in the manner prescribed in subdivision (1); or

(ii) state that the commission has determined that there is no excess assessed value that may be allocated to the respective taxing units in the manner prescribed in subdivision (1).

The county auditor shall allocate to the respective taxing units the amount, if any, of excess assessed value determined by the commission. The commission may not authorize an allocation of assessed value to the respective taxing units under this subdivision if to do so would endanger the interests of the holders of bonds described in subdivision (2) or lessors under

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1 section 25.3 of this chapter.

2 (c) For the purpose of allocating taxes levied by or for any taxing  
3 unit or units, the assessed value of taxable property in a territory in the  
4 allocation area that is annexed by any taxing unit after the effective  
5 date of the allocation provision of the declaratory resolution is the  
6 lesser of:

- 7 (1) the assessed value of the property for the assessment date with  
8 respect to which the allocation and distribution is made; or  
9 (2) the base assessed value.

10 (d) Property tax proceeds allocable to the redevelopment district  
11 under subsection (b)(2) may, subject to subsection (b)(3), be  
12 irrevocably pledged by the redevelopment district for payment as set  
13 forth in subsection (b)(2).

14 (e) Notwithstanding any other law, each assessor shall, upon  
15 petition of the redevelopment commission, reassess the taxable  
16 property situated upon or in, or added to, the allocation area, effective  
17 on the next assessment date after the petition.

18 (f) Notwithstanding any other law, the assessed value of all taxable  
19 property in the allocation area, for purposes of tax limitation, property  
20 tax replacement, and formulation of the budget, tax rate, and tax levy  
21 for each political subdivision in which the property is located is the  
22 lesser of:

- 23 (1) the assessed value of the property as valued without regard to  
24 this section; or  
25 (2) the base assessed value.

26 (g) If any part of the allocation area is located in an enterprise zone  
27 created under IC 5-28-15, the unit that designated the allocation area  
28 shall create funds as specified in this subsection. A unit that has  
29 obligations, bonds, or leases payable from allocated tax proceeds under  
30 subsection (b)(2) shall establish an allocation fund for the purposes  
31 specified in subsection (b)(2) and a special zone fund. Such a unit  
32 shall, until the end of the enterprise zone phase out period, deposit each  
33 year in the special zone fund any amount in the allocation fund derived  
34 from property tax proceeds in excess of those described in subsection  
35 (b)(1) from property located in the enterprise zone that exceeds the  
36 amount sufficient for the purposes specified in subsection (b)(2) for the  
37 year. The amount sufficient for purposes specified in subsection (b)(2)  
38 for the year shall be determined based on the pro rata portion of such  
39 current property tax proceeds from the part of the enterprise zone that  
40 is within the allocation area as compared to all such current property  
41 tax proceeds derived from the allocation area. A unit that has no  
42 obligations, bonds, or leases payable from allocated tax proceeds under

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subsubsection (b)(2) shall establish a special zone fund and deposit all the property tax proceeds in excess of those described in subsection (b)(1) in the fund derived from property tax proceeds in excess of those described in subsection (b)(1) from property located in the enterprise zone. The unit that creates the special zone fund shall use the fund (based on the recommendations of the urban enterprise association) for programs in job training, job enrichment, and basic skill development that are designed to benefit residents and employers in the enterprise zone or other purposes specified in subsection (b)(2), except that where reference is made in subsection (b)(2) to allocation area it shall refer for purposes of payments from the special zone fund only to that part of the allocation area that is also located in the enterprise zone. Those programs shall reserve at least one-half (1/2) of their enrollment in any session for residents of the enterprise zone.

(h) The state board of accounts and department of local government finance shall make the rules and prescribe the forms and procedures that they consider expedient for the implementation of this chapter. After each general reassessment under IC 6-1.1-4, the department of local government finance shall adjust the base assessed value one (1) time to neutralize any effect of the general reassessment on the property tax proceeds allocated to the redevelopment district under this section. After each annual adjustment under IC 6-1.1-4-4.5, the department of local government finance shall adjust the base assessed value one (1) time to neutralize any effect of the annual adjustment on the property tax proceeds allocated to the redevelopment district under this section. However, the adjustments under this subsection may not include the effect of property tax abatements under IC 6-1.1-12.1, and these adjustments may not produce less property tax proceeds allocable to the redevelopment district under subsection (b)(2) than would otherwise have been received if the general reassessment or annual adjustment had not occurred. The department of local government finance may prescribe procedures for county and township officials to follow to assist the department in making the adjustments.

(i) The allocation deadline referred to in subsection (b) is determined in the following manner:

- (1) The initial allocation deadline is December 31, 2011.
- (2) Subject to subdivision (3), the initial allocation deadline and subsequent allocation deadlines are automatically extended in increments of five (5) years, so that allocation deadlines subsequent to the initial allocation deadline fall on December 31, 2016, and December 31 of each fifth year thereafter.
- (3) At least one (1) year before the date of an allocation deadline

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determined under subdivision (2), the general assembly may enact a law that:

(A) terminates the automatic extension of allocation deadlines under subdivision (2); and

(B) specifically designates a particular date as the final allocation deadline.

SECTION 3. IC 36-7-15.1-26, AS AMENDED BY P.L.146-2008, SECTION 755, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 26. (a) As used in this section:

"Allocation area" means that part of a redevelopment project area to which an allocation provision of a resolution adopted under section 8 of this chapter refers for purposes of distribution and allocation of property taxes.

"Base assessed value" means the following:

(1) If an allocation provision is adopted after June 30, 1995, in a declaratory resolution or an amendment to a declaratory resolution establishing an economic development area:

(A) the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision of the declaratory resolution, as adjusted under subsection (h); plus

(B) to the extent that it is not included in clause (A), the net assessed value of property that is assessed as residential property under the rules of the department of local government finance, as finally determined for any assessment date after the effective date of the allocation provision.

(2) If an allocation provision is adopted after June 30, 1997, in a declaratory resolution or an amendment to a declaratory resolution establishing a redevelopment project area:

(A) the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision of the declaratory resolution, as adjusted under subsection (h); plus

(B) to the extent that it is not included in clause (A), the net assessed value of property that is assessed as residential property under the rules of the department of local government finance, as finally determined for any assessment date after the effective date of the allocation provision.

(3) If:

(A) an allocation provision adopted before June 30, 1995, in a declaratory resolution or an amendment to a declaratory resolution establishing a redevelopment project area expires

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1 after June 30, 1997; and  
 2 (B) after June 30, 1997, a new allocation provision is included  
 3 in an amendment to the declaratory resolution;  
 4 the net assessed value of all the property as finally determined for  
 5 the assessment date immediately preceding the effective date of  
 6 the allocation provision adopted after June 30, 1997, as adjusted  
 7 under subsection (h).  
 8 (4) Except as provided in subdivision (5), for all other allocation  
 9 areas, the net assessed value of all the property as finally  
 10 determined for the assessment date immediately preceding the  
 11 effective date of the allocation provision of the declaratory  
 12 resolution, as adjusted under subsection (h).  
 13 (5) If an allocation area established in an economic development  
 14 area before July 1, 1995, is expanded after June 30, 1995, the  
 15 definition in subdivision (1) applies to the expanded part of the  
 16 area added after June 30, 1995.  
 17 (6) If an allocation area established in a redevelopment project  
 18 area before July 1, 1997, is expanded after June 30, 1997, the  
 19 definition in subdivision (2) applies to the expanded part of the  
 20 area added after June 30, 1997.  
 21 Except as provided in section 26.2 of this chapter, "property taxes"  
 22 means taxes imposed under IC 6-1.1 on real property. However, upon  
 23 approval by a resolution of the redevelopment commission adopted  
 24 before June 1, 1987, "property taxes" also includes taxes imposed  
 25 under IC 6-1.1 on depreciable personal property. If a redevelopment  
 26 commission adopted before June 1, 1987, a resolution to include within  
 27 the definition of property taxes taxes imposed under IC 6-1.1 on  
 28 depreciable personal property that has a useful life in excess of eight  
 29 (8) years, the commission may by resolution determine the percentage  
 30 of taxes imposed under IC 6-1.1 on all depreciable personal property  
 31 that will be included within the definition of property taxes. However,  
 32 the percentage included must not exceed twenty-five percent (25%) of  
 33 the taxes imposed under IC 6-1.1 on all depreciable personal property.  
 34 (b) A resolution adopted under section 8 of this chapter on or before  
 35 the allocation deadline determined under subsection (i) may include a  
 36 provision with respect to the allocation and distribution of property  
 37 taxes for the purposes and in the manner provided in this section. A  
 38 resolution previously adopted may include an allocation provision by  
 39 the amendment of that resolution on or before the allocation deadline  
 40 determined under subsection (i) in accordance with the procedures  
 41 required for its original adoption. A declaratory resolution or an  
 42 amendment that establishes an allocation provision after June 30, 1995,

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1 must specify an expiration date for the allocation provision. For an  
 2 allocation area established before July 1, 2008, the expiration date may  
 3 not be more than thirty (30) years after the date on which the allocation  
 4 provision is established. For an allocation area established after June  
 5 30, 2008, the expiration date may not be more than twenty-five (25)  
 6 years after the date on which the allocation provision is established.  
 7 However, with respect to bonds or other obligations that were issued  
 8 before July 1, 2008, if any of the bonds or other obligations that were  
 9 scheduled when issued to mature before the specified expiration date  
 10 and that are payable only from allocated tax proceeds with respect to  
 11 the allocation area remain outstanding as of the expiration date, the  
 12 allocation provision does not expire until all of the bonds or other  
 13 obligations are no longer outstanding. The allocation provision may  
 14 apply to all or part of the redevelopment project area. The allocation  
 15 provision must require that any property taxes subsequently levied by  
 16 or for the benefit of any public body entitled to a distribution of  
 17 property taxes on taxable property in the allocation area be allocated  
 18 and distributed as follows:

19 (1) Except as otherwise provided in this section, the proceeds of  
 20 the taxes attributable to the lesser of:

21 (A) the assessed value of the property for the assessment date  
 22 with respect to which the allocation and distribution is made;  
 23 or

24 (B) the base assessed value;  
 25 shall be allocated to and, when collected, paid into the funds of  
 26 the respective taxing units.

27 (2) Except as otherwise provided in this section, property tax  
 28 proceeds in excess of those described in subdivision (1) shall be  
 29 allocated to the redevelopment district and, when collected, paid  
 30 into a special fund for that allocation area that may be used by the  
 31 redevelopment district only to do one (1) or more of the  
 32 following:

33 (A) Pay the principal of and interest on any obligations  
 34 payable solely from allocated tax proceeds that are incurred by  
 35 the redevelopment district for the purpose of financing or  
 36 refinancing the redevelopment of that allocation area.

37 (B) Establish, augment, or restore the debt service reserve for  
 38 bonds payable solely or in part from allocated tax proceeds in  
 39 that allocation area.

40 (C) Pay the principal of and interest on bonds payable from  
 41 allocated tax proceeds in that allocation area and from the  
 42 special tax levied under section 19 of this chapter.

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(D) Pay the principal of and interest on bonds issued by the consolidated city to pay for local public improvements that are physically located in or physically connected to that allocation area.

(E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.

(F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 17.1 of this chapter.

(G) Reimburse the consolidated city for expenditures for local public improvements (which include buildings, parking facilities, and other items set forth in section 17 of this chapter) that are physically located in or physically connected to that allocation area.

(H) Reimburse the unit for rentals paid by it for a building or parking facility that is physically located in or physically connected to that allocation area under any lease entered into under IC 36-1-10.

(I) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:

(i) in the allocation area; and

(ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance.

However, the total amount of money spent for this purpose in any year may not exceed the total amount of money in the allocation fund that is attributable to property taxes paid by the industrial facilities described in this clause. The reimbursements under this clause must be made within three (3) years after the date on which the investments that are the basis for the increment financing are made.

**(J) Pay the costs of carrying out an eligible efficiency project (as defined in IC 36-9-41-1.5) within the unit that established the redevelopment commission. However, property tax proceeds may be used under this clause to pay the costs of carrying out an eligible efficiency project only if those property tax proceeds exceed the amount necessary to do the following:**

**(i) Make, when due, any payments required under clauses (A) through (I), including any payments of principal and interest on bonds and other obligations payable under this**

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subdivision, any payments of premiums under this subdivision on the redemption before maturity of bonds, and any payments on leases payable under this subdivision.

(ii) Make any reimbursements required under this subdivision.

(iii) Pay any expenses required under this subdivision.

(iv) Establish, augment, or restore any debt service reserve under this subdivision.

The special fund may not be used for operating expenses of the commission.

(3) Before July 15 of each year, the commission shall do the following:

(A) Determine the amount, if any, by which the assessed value of the taxable property in the allocation area for the most recent assessment date minus the base assessed value, when multiplied by the estimated tax rate of the allocation area, will exceed the amount of assessed value needed to provide the property taxes necessary to make, when due, principal and interest payments on bonds described in subdivision (2) plus the amount necessary for other purposes described in subdivision (2) and subsection (g).

(B) Provide a written notice to the county auditor, the legislative body of the consolidated city, and the officers who are authorized to fix budgets, tax rates, and tax levies under IC 6-1.1-17-5 for each of the other taxing units that is wholly or partly located within the allocation area. The notice must:

(i) state the amount, if any, of excess assessed value that the commission has determined may be allocated to the respective taxing units in the manner prescribed in subdivision (1); or

(ii) state that the commission has determined that there is no excess assessed value that may be allocated to the respective taxing units in the manner prescribed in subdivision (1).

The county auditor shall allocate to the respective taxing units the amount, if any, of excess assessed value determined by the commission. The commission may not authorize an allocation to the respective taxing units under this subdivision if to do so would endanger the interests of the holders of bonds described in subdivision (2).

(c) For the purpose of allocating taxes levied by or for any taxing unit or units, the assessed value of taxable property in a territory in the allocation area that is annexed by any taxing unit after the effective

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1 date of the allocation provision of the resolution is the lesser of:

- 2 (1) the assessed value of the property for the assessment date with  
 3 respect to which the allocation and distribution is made; or  
 4 (2) the base assessed value.

5 (d) Property tax proceeds allocable to the redevelopment district  
 6 under subsection (b)(2) may, subject to subsection (b)(3), be  
 7 irrevocably pledged by the redevelopment district for payment as set  
 8 forth in subsection (b)(2).

9 (e) Notwithstanding any other law, each assessor shall, upon  
 10 petition of the commission, reassess the taxable property situated upon  
 11 or in, or added to, the allocation area, effective on the next assessment  
 12 date after the petition.

13 (f) Notwithstanding any other law, the assessed value of all taxable  
 14 property in the allocation area, for purposes of tax limitation, property  
 15 tax replacement, and formulation of the budget, tax rate, and tax levy  
 16 for each political subdivision in which the property is located is the  
 17 lesser of:

- 18 (1) the assessed value of the property as valued without regard to  
 19 this section; or  
 20 (2) the base assessed value.

21 (g) If any part of the allocation area is located in an enterprise zone  
 22 created under IC 5-28-15, the unit that designated the allocation area  
 23 shall create funds as specified in this subsection. A unit that has  
 24 obligations, bonds, or leases payable from allocated tax proceeds under  
 25 subsection (b)(2) shall establish an allocation fund for the purposes  
 26 specified in subsection (b)(2) and a special zone fund. Such a unit  
 27 shall, until the end of the enterprise zone phase out period, deposit each  
 28 year in the special zone fund the amount in the allocation fund derived  
 29 from property tax proceeds in excess of those described in subsection  
 30 (b)(1) from property located in the enterprise zone that exceeds the  
 31 amount sufficient for the purposes specified in subsection (b)(2) for the  
 32 year. A unit that has no obligations, bonds, or leases payable from  
 33 allocated tax proceeds under subsection (b)(2) shall establish a special  
 34 zone fund and deposit all the property tax proceeds in excess of those  
 35 described in subsection (b)(1) in the fund derived from property tax  
 36 proceeds in excess of those described in subsection (b)(1) from  
 37 property located in the enterprise zone. The unit that creates the special  
 38 zone fund shall use the fund, based on the recommendations of the  
 39 urban enterprise association, for one (1) or more of the following  
 40 purposes:

- 41 (1) To pay for programs in job training, job enrichment, and basic  
 42 skill development designed to benefit residents and employers in

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the enterprise zone. The programs must reserve at least one-half (1/2) of the enrollment in any session for residents of the enterprise zone.

(2) To make loans and grants for the purpose of stimulating business activity in the enterprise zone or providing employment for enterprise zone residents in the enterprise zone. These loans and grants may be made to the following:

(A) Businesses operating in the enterprise zone.

(B) Businesses that will move their operations to the enterprise zone if such a loan or grant is made.

(3) To provide funds to carry out other purposes specified in subsection (b)(2). However, where reference is made in subsection (b)(2) to the allocation area, the reference refers for purposes of payments from the special zone fund only to that part of the allocation area that is also located in the enterprise zone.

(h) The state board of accounts and department of local government finance shall make the rules and prescribe the forms and procedures that they consider expedient for the implementation of this chapter. After each general reassessment under IC 6-1.1-4, the department of local government finance shall adjust the base assessed value one (1) time to neutralize any effect of the general reassessment on the property tax proceeds allocated to the redevelopment district under this section. After each annual adjustment under IC 6-1.1-4-4.5, the department of local government finance shall adjust the base assessed value to neutralize any effect of the annual adjustment on the property tax proceeds allocated to the redevelopment district under this section. However, the adjustments under this subsection may not include the effect of property tax abatements under IC 6-1.1-12.1, and these adjustments may not produce less property tax proceeds allocable to the redevelopment district under subsection (b)(2) than would otherwise have been received if the general reassessment or annual adjustment had not occurred. The department of local government finance may prescribe procedures for county and township officials to follow to assist the department in making the adjustments.

(i) The allocation deadline referred to in subsection (b) is determined in the following manner:

(1) The initial allocation deadline is December 31, 2011.

(2) Subject to subdivision (3), the initial allocation deadline and subsequent allocation deadlines are automatically extended in increments of five (5) years, so that allocation deadlines subsequent to the initial allocation deadline fall on December 31, 2016, and December 31 of each fifth year thereafter.

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(3) At least one (1) year before the date of an allocation deadline determined under subdivision (2), the general assembly may enact a law that:

(A) terminates the automatic extension of allocation deadlines under subdivision (2); and

(B) specifically designates a particular date as the final allocation deadline.

SECTION 4. IC 36-9-41-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 1. This chapter applies to the following:

(1) A public work project that will cost the political subdivision not more than two million dollars (\$2,000,000).

**(2) An eligible efficiency project that will cost not more than three million dollars (\$3,000,000).**

SECTION 5. IC 36-9-41-1.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 1.5. As used in this chapter, "eligible efficiency project" means:

(1) a project necessary or useful to carrying out an interlocal cooperation agreement entered into by two (2) or more political subdivisions or governmental entities under IC 36-1-7; or

(2) a project necessary or useful to the consolidation of local government services.

SECTION 6. IC 36-9-41-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 3. Notwithstanding any other statute, a political subdivision may borrow the money necessary to finance:

(1) a public work project; or

**(2) an eligible efficiency project;**

from a financial institution in Indiana by executing a negotiable note under section 4 of this chapter. The political subdivision shall provide notice of its determination to issue the note under IC 5-3-1. Money borrowed under this chapter is chargeable against the political subdivision's constitutional debt limitation.

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## COMMITTEE REPORT

Mr. Speaker: Your Committee on Government and Regulatory Reform, to which was referred House Bill 1530, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 6, line 37, after "commission." insert **"However, property tax proceeds may be used under this clause to pay the costs of carrying out an eligible efficiency project only if those property tax proceeds exceed the amount necessary to do the following:**

- (i) Make, when due, any payments required under clauses (A) through (K), including any payments of principal and interest on bonds and other obligations payable under this subdivision, any payments of premiums under this subdivision on the redemption before maturity of bonds, and any payments on leases payable under this subdivision.**
- (ii) Make any reimbursements required under this subdivision.**
- (iii) Pay any expenses required under this subdivision.**
- (iv) Establish, augment, or restore any debt service reserve under this subdivision."**

Page 13, line 20, after "commission." insert **"However, property tax proceeds may be used under this clause to pay the costs of carrying out an eligible efficiency project only if those property tax proceeds exceed the amount necessary to do the following:**

- (i) Make, when due, any payments required under clauses (A) through (I), including any payments of principal and interest on bonds and other obligations payable under this subdivision, any payments of premiums under this subdivision on the redemption before maturity of bonds, and any payments on leases payable under this subdivision.**
- (ii) Make any reimbursements required under this subdivision.**
- (iii) Pay any expenses required under this subdivision.**
- (iv) Establish, augment, or restore any debt service reserve under this subdivision."**

Page 16, line 26, delete "two" and insert **"three"**.

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Page 16, line 26, delete "\$2,000,000)." and insert "\$3,000,000).".

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1530 as introduced.)

BARTLETT, Chair

Committee Vote: yeas 9, nays 0.

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